17. Estimated cost to the state and county:

Fiscal Year	Estimated Additional Salaries	Estimated Benefit Rate	Retirement Cost	State Share	County Share
2008	$33,102,300	15%	$4,965,345	$1,390,297	$3,575,048
2009	$48,881,281	15%	$7,332,192	$2,053,014	$5,279,178
2010	$50,103,798	15%	$7,515,570	$2,104,360	$5,411,210
2011	$50,224,271	15%	$7,533,641	$2,109,419	$5,424,222

18. Consistent with HJR2 revenue estimates, the statewide taxable valuations will increase by 3.18 percent in FY 2008 and 3.22 percent in FY 2009 and beyond.

School Facility Account

19. The common school trust receives revenues generated from mineral royalties due to SB 495 (2001 Legislative Session). The royalties were purchased in 2001 with a loan from the permanent coal trust. The $46 million loan purchased $109 million in royalties and was expected to take 30 years to repay. Mineral royalty revenue has been much higher than expected, and the principle and interest of the loan are expected to be paid off in FY 2008 and the common school trust will continue to collect mineral royalties until the full $109 million is received. Current estimates suggest that the guarantee account will receive $52 million after the loan is paid off which will occur by the end of FY 2010. When the mineral royalty loan is complete, the revenue will be allocated to the inviolate common school permanent fund.
20. As a result of this legislation, one-time mineral royalty revenue monies in assumption 19 and shown in the table below will no longer be deposited in the guarantee account. Instead, revenue will be deposited in a state special revenue school facility improvement account.

SB 152 and Facility Improvement Account ($ millions)

	FY 2008	FY 2009	FY 2010	FY 2011
Mineral Royalty Revenue	$29.323	$27.363	$26.526	$26.406
Current Law				
Mineral Royalties to Coal Loan	$7.492	$0.000	$0.000	$0.000
Mineral Royalties to Trust Administration	$4.249	$4.189	$4.100	$4.302
Mineral Royalties to Guarantee Account	$17.582	$23.174	$11.604	$0.000
Royalties to Permanent Fund	$0.000	$0.000	$10.822	$22.104
Total	$29.323	$27.363	$26.526	$26.406
SB 152				
Mineral Royalties to Coal Loan	$7.492	$0.000	$0.000	$0.000
Mineral Royalties to Trust Administration	$4.249	$4.189	$4.100	$4.302
Mineral Royalties to Guarantee Account	$0.000	$0.000	$0.000	$0.000
Mineral Royalties to Facility Improvement	$17.582	$23.174	$11.604	$0.000
Royalties to Permanent Fund	$0.000	$0.000	$10.822	$22.104
Total	$29.323	$27.363	$26.526	$26.406
Change from Current Law to SB 152				
Mineral Royalties to Guarantee Account	($17.582)	($23.174)	($11.604)	$0.000
Mineral Royalties to Facility Improvement	$17.582	$23.174	$11.604	$0.000

21. Total school BASE aid expenditures to K-12 schools do not change as a result of this provision.
22. There is no appropriation in SB 152 from the school facility fund. The state general fund appropriation for K-12 BASE aid will need to increase in an amount equivalent to the decrease in the revenue available in the guarantee account ($17.582 million in FY 2008, $23.174 million in FY 2009, and $11.604 million in FY 2010).
23. No change in school funding will occur until the school facility funds are appropriated in a subsequent legislative session.
24. This account would create funding to be available for quality K-12 schools' facilities needs to be determined at the end of the facilities study commissioned by the 2005 Special Legislative Session to be completed by July 2008. The total funds available in the 2011 biennium will be $52.360 million.

Revised Moratorium

25. Section 10 revises the moratorium on new high school districts to allow creation under certain circumstances of a high school district for the purpose of expanding into a K-12 district. One school district has expressed an interest in applying this provision to their circumstances: Ophir Elementary district in Gallatin County.
26. The ANB at Bozeman High School who live within the Ophir Elementary district is estimated at 60 for FY 2008 and 60 in FY 2009.
27. Ophir Elementary district and Bozeman High School district in Gallatin County are not eligible for guaranteed tax base aid in FY 2008 or FY 2009.
28. A portion of the Bozeman High School territory would transfer to Ophir K-12 (Taxable valuation = $14.55 million).
29. The high school the ANB is moved from does not lose the ANB until the second year, but the new high school will receive ANB for the same ANB. Therefore, for the first year of the new district, ANB is counted twice.
30. If the Ophir district converts to a K-12 district, the increased direct state aid (state share is 44.7% of the basic and per ANB entitlements) for their 60 ANB would be approximately $128,750 in the first year.
31. There would be no increase in guaranteed tax base aid in the 2009 biennium. Bozeman High School district, which is not currently eligible for GTB aid, would likely be eligible for GTB aid after FY 2009.
32. It would be assumed that it would be at least FY 2010 before the district was prepared to open.
33. The new high school district at Ophir would not be eligible to debt service facilities reimbursement for bonding due to the high taxable values of that area.

Montana School for the Deaf and Blind and for Corrections

34. The Per Quality Educator Component would facilitate increases each year for the Montana School for the Deaf and Blind and for Corrections at Pine Hills and Riverside as follows:

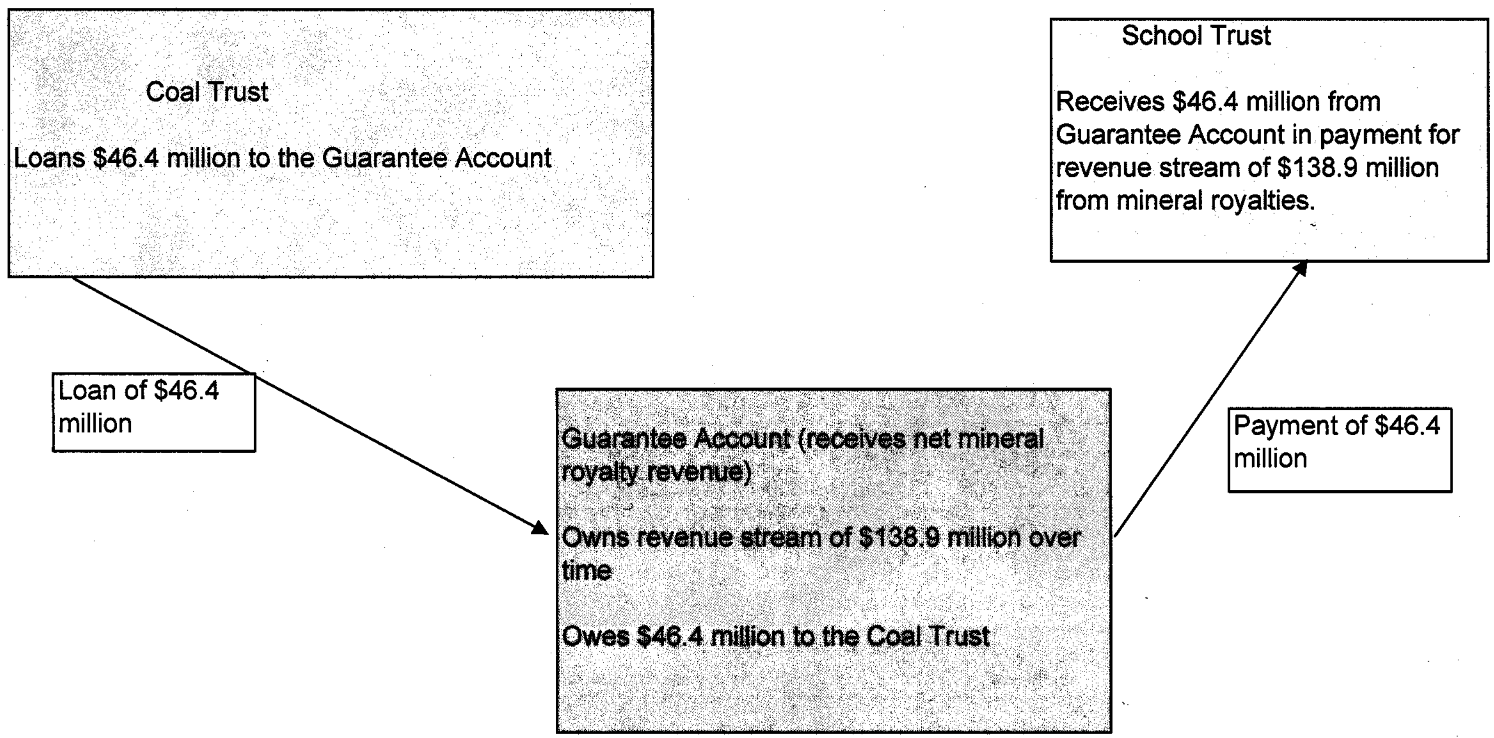
	FTE	Quality Educator Payment	Retirement	Total
MSDB	36.25	$28,638	$4,296	$32,934
Corrections	20.21	$19,501	$2,925	$22,426

Department of Revenue

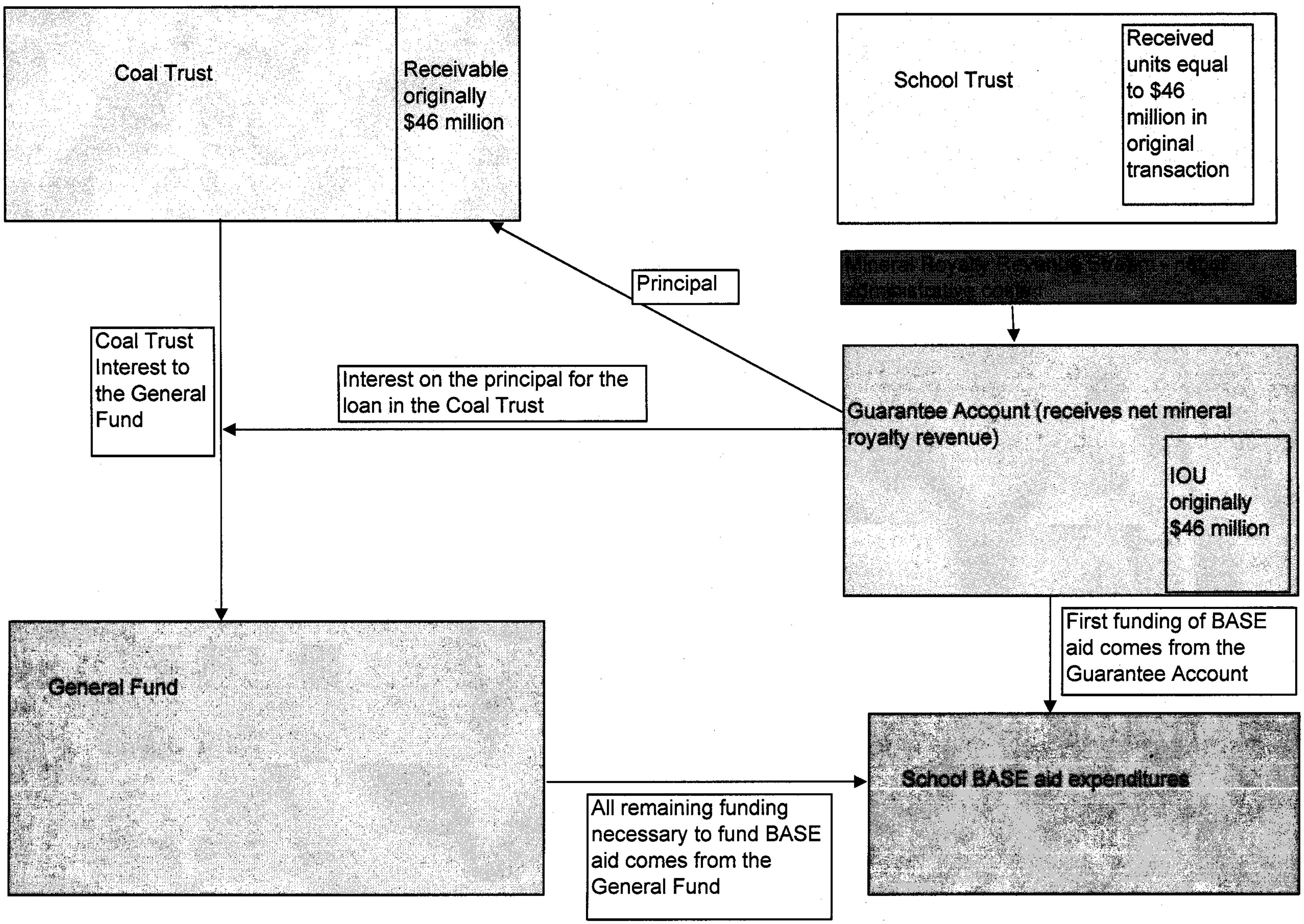
35. For purposes of this fiscal note, it is assumed that the payment for the Board of Regents under the loan forgiveness program would not be considered taxable income for the teacher for either the state or federal income tax. (See technical notes.)

Montana University System

Original transaction

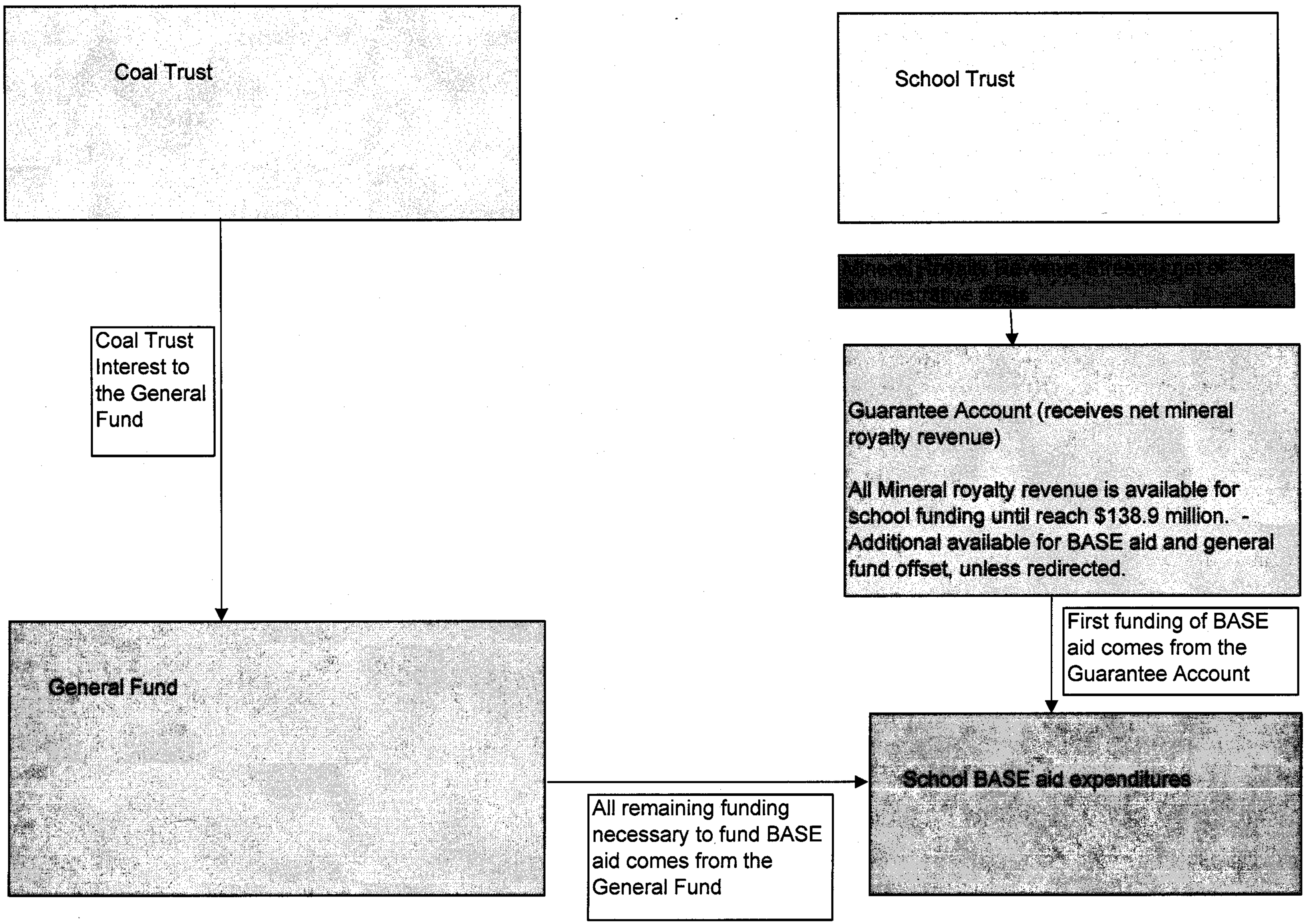


SB 495 flows before repayment is complete



Paying off the principal in the Coal trust increases the funds invested in outside sources and decreases amount invested in loan to Guarantee Account. Once the principal is paid off in the Coal trust, all net mineral revenue will flow to the Guarantee Account until $138.9 million revenue is received. After $138.9 million is received, SB 495 ends and the net mineral revenue in the Guarantee Account flows to the School Trust.

SB 495 flows after repayment of the loan is complete, but prior to receiving $138.9 million in revenue



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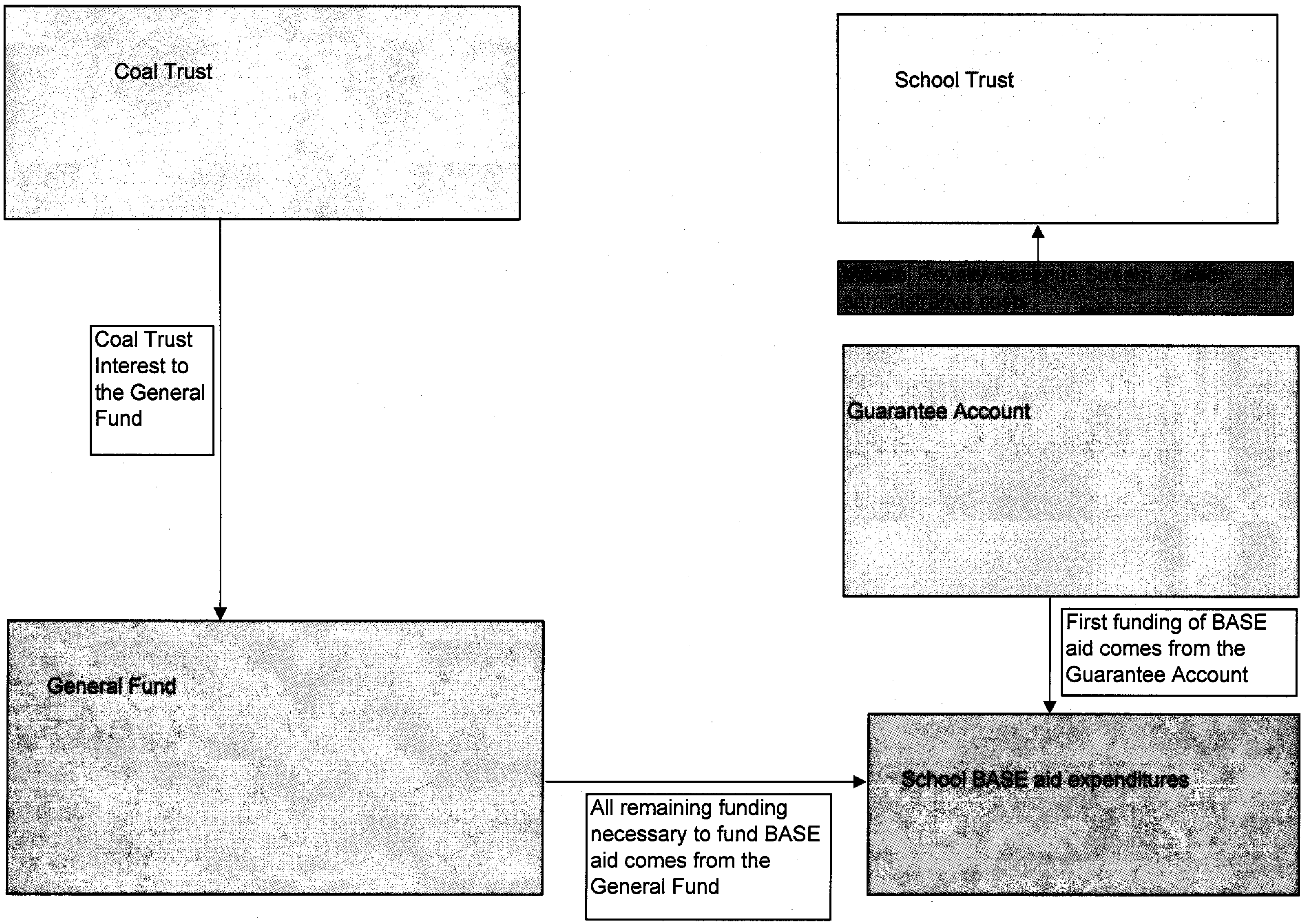
After $138.9 million is received



Paying off the principal in the Coal trust increases the funds invested in outside sources and decreases amount invested in loan to Guarantee Account. Once the principal is paid off in the Coal trust, all net mineral revenue will flow to the Guarantee Account until $138.9 million revenue is received. After $138.9 million is received, SB 495 ends and the net mineral revenue in the Guarantee Account flows to the School Trust.